GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2664
ANSWERED ON:31.08.2007
LOSSES UNDER CREDIT CARD SCHEME
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Will the Minister of FINANCE be pleased to state:

(a) whether banks suffered losses under the credit card scheme;

(b) if so, the details thereof;

(c) whether a fresh scheme is being launched in place of the present one;

(d) if so, the details thereof;

(e) whether the interest rate on the outstanding amount of the credit card holders has been increased/being increased; and

(f) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The existing Management Information System of Reserve Bank of India (RBI) does not generate the desired data.

(c) & (d): The banks may frame their own credit card schemes as per their business plans subject to the guidelines / instructions issued by RBI from time to time.

(e) & (f): In terms of paragraph 3 of Master Circular dated 2nd July, 2007, banks have been advised that credit card dues are in the nature of non-priority sector personal loans and as such banks are free to determine the rate of interest on credit card dues without reference to their Bench Prime lending Rate (BPLR) and regardless of the size. However, RBI has advised the banks that the annualized percentage rate (APR), the method of calculation of APR, late payment charges including the method of calculation, the manner in which the outstanding unpaid amount is to be included for calculation of interest, etc. on credit card dues should be indicated by card issuing banks in the `Welcome Kit` and monthly statement. Banks have also been advised to be transparent in fixing their interest rate / service charge on credit card dues and include the above in the Most Important Terms and Conditions (MITCs). Further, credit card scenario is being constantly monitored and instructions to banks on their credit card operations are issued by the RBI, on an ongoing basis.